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Administrative and budgetary questions

Fund of the United Nations International Drug Control Programme

Proposed final biennial support budget for 1998-1999 and proposed initial biennial budget for 2000-2001

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations International Drug Control Programme (UNDCP) on the proposed final biennial support budget for 1998-1999 and proposed initial biennial support budget for 2000-2001 of the Fund of UNDCP (E/CN.7/1999/17), in advance copy form. The Committee also had before it advance copies of the reports containing the proposed final programme budget for 1998-1999 and proposed initial programme budget for 2000-2001 (E/CN.7/1999/18), on the activities funded by UNDCP during the biennium 1998-1999 (E/CN.7/1999/22), as well as on the implications of instituting a results-based budget for the Fund (E/CN.7/1999/19). During its consideration of the reports, the Committee exchanged views with the Executive Director, and other senior officials of the Programme, who provided additional information.

Budget format and presentation

2. The Committee welcomes the efforts made to further improve the budget presentation of UNDCP and, in particular, to streamline the presentation in order to avoid repetition through lengthy descriptions of data summarized in the tables, as requested by the Committee in its report (E/CN.7/1999/14).

3. The Committee is of the view that the presentation of post allocation and related changes could be further improved (see paragraph 23 below), and that the biennial support and programme budgets would benefit from being combined into one document, providing a more comprehensive presentation and a better understanding to the reader of the activities and resources associated with the drug control programme. The information provided in table 5, containing the financial summary, should also be rearranged to include opening and closing balances (see paragraph 10 below).

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Final support budget for 1998-1999

4. The final support budget for 1998-1999 is contained in part three of E/CN.7/1999/17. As shown in tables 6 and 7, the final support budget for 1998-1999 amounts to $34,843,500, as compared to the revised support budget of $34,065,700. The difference results from a decrease in cost adjustments of $59,800 (0.1 per cent), and an increase in volume changes of $837,600 (2.4 per cent).

5. As indicated in paragraph 3 of the support budget document, the total increase of $777,800 comprises an increase of $882,100 at the field level and a decrease of $104,300 at headquarters. Moreover, volume increases, at the field level, under rental and maintenance of space ($514,800) and furniture and equipment ($280,000), are partly offset by decreases under programme support at headquarters and a status quo under management and administration. There are no changes reported under the staffing table.

Income and expenditure projections

6. An overview on the budget and the financial situation of UNDCP is provided in part two and table 5 of document E/CN.7/1999/17. As indicated therein, income for 1998-1999 amounts to $139,707,400 and expenditures are estimated at $129,889,600. The Committee notes that income, reflecting a higher level of support for the Fund, has increased by 35 per cent in 1998 over the previous year, and that pledges in 1999 are projected to increase by some 28 per cent over 1998. For the 2000-2001 biennium, total income is estimated at $156,035,000 (including contributions, cost-sharing contributions, public donations, interest income and miscellaneous income)—an increase of 11.7 per cent compared to total income for 1998-1999. Of this total figure, an amount of $40,212,000 corresponds to general-purpose funds, reflecting an increase of 16.9 per cent over the 1998-1999 biennium, and an amount of $115,823,000 constitutes special-purpose funds, reflecting an increase of 10 per cent.

7. The Committee further notes that contributions are estimated at $122,860,000 for the biennium 2000-2001, incorporating $35,650,000 for general-purpose contributions, which increase by 28.3 per cent when compared to those for 1998-1999, and $87,210,000 for special-purpose contributions, which decrease by 4.2 per cent. Public donations are estimated at $2,000,000 compared to $1,913,300 for 1998-1999. Cost-sharing contributions, or those provided by Governments for implementation of their own projects under the national-execution modality, increase by 146.2 per cent from $9,747,800 in 1998-1999 to $24,002,000 for 2000-2001. As indicated in paragraph 23 of the support budget document, this is the result of "arrangements worked out in connection with loans taken by the Governments concerned from multilateral lending institutions". Expenditures are projected at $167,204,600 for the coming biennium.

8. The Committee notes that, although projections for expenditure are presented in the context of an increase in projected income, as indicated in paragraph 18, the donor base continues to be small and efforts to broaden it have met with only modest success. In this connection, the Committee notes from paragraph 16 and table 5 that the general-purpose fund balance is expected to decrease by $13,321,300 despite an expected increase in general-purpose income for 2000-2001. The Committee notes further that, "as a consequence, in order to balance general-purpose income and expenditure in 2000-2001, total expenditure chargeable to general-purpose funds will need to be reduced by $6,812,900, or 14.3 per cent, as compared to 1998-1999. Therefore, the need for a better balance between general- and special-purpose income is urgently required to respond quickly and flexibly to new programme challenges and opportunities, as well as to sustain a minimum level considered necessary for the biennial support budget" (E/CN.7/1999/17, paragraph 16).

9. The Committee questioned the decrease in interest income estimated for 2000-2001, which is shown at $6,973,000 in table 5. As indicated in paragraph 26 of the support budget document, this amount was calculated on the basis of a 4 per cent rate. The Committee was further informed that this rate may be too conservative and that interest receipts could turn out to be higher.

10. The Committee further recommends that the inclusion of item III in table 5 be reconsidered as it tends to obscure the fact that the fund has a positive balance rather than a deficit.

Initial programme budget for 2000-2001

11. The proposed initial programme budget for the biennium 2000-2001, contained in document E/CN.7/1999/18, amounts to $157 million, a 37 per cent increase as compared to the previous biennium. The Committee notes that total estimated programme expenditure for the biennium 1998-1999 is calculated to reach $91.7 million, or 80 per cent of the originally approved budget of $115 million, reflecting an increase of 31 per cent over the 1996-1997 programme budget of

$70 million. For 2000-2001, accordingly, UNDCP is projecting that total programme expenditure will reach $125.6 million, or 80 per cent of the proposed programme budget of $157 million.

12. The programme priorities for the biennium 2000-2001 have been determined on the basis of the strategies and objectives outlined in the Political Declaration (resolution S-20/2, annex) and the six action plans (resolutions S-20/4 A to E) adopted by the General Assembly at its twentieth special session, devoted to countering the world drug problem together in June 1998. Moreover, the Committee was informed that an in-depth analysis was conducted of a project portfolio of $320 million in pipeline projects, taking into account how those projects contribute to meeting the strategies and goals of the special session, recipient country priorities and funding possibilities. The result was the identification of projects valued at $157 million, included in the programme budget for the biennium 2000-2001.

13. The Committee inquired as to the classification in terms of funding prospects, mentioned in paragraph 117 of E/CN.7/1999/18, and was informed that cases for which funding is already guaranteed constitute 33 per cent of the budget portfolio, cases for which funding is felt probable on the basis of ongoing dialogue with donors constitute 34 per cent, and that a last category of funding, for which specific donor interest needs to be identified amounts to the balance of 33 per cent. The relatively small number of cases, for which no particular sources were yet in view, mentioned in paragraph 117, relates to the initiatives aimed at strengthening the security belt around Afghanistan and accounts for 12 per cent of the latter group.

14. The Committee further notes that to improve effectiveness, coherence, and overcome fragmentation of its operational activities, UNDCP projects have been merged into 75 programmes structured in four thematic areas: (a) policy support, legislation and advocacy; (b) prevention and reduction of drug abuse; (c) suppression of illicit drug trafficking; and (d) elimination of illicit crops through alternative development. It is not clear from what is indicated in paragraphs 136-142 of the programme document how the new programme structure will affect the organizational structure of UNDCP at headquarters. This aspect should be clarified in the context of the presentation for the biennium 2002-2003.

15. The Committee also welcomes the measures taken to strengthen UNDCP capacity for global monitoring, programme evaluation and reporting, indicated in paragraphs 128-135 of document E/CN.7/1999/18. With regard to programme monitoring the Committee notes that UNDCP "has developed and initiated two global programmes, one to monitor illicit crop cultivation and the other to assess the extent of drug abuse" (paragraph 129), considered essential for assisting countries in meeting their reporting obligations and for ensuring a meaningful follow-up to the special session.

16. As regards programme evaluation, the Committee notes that the consolidation of all UNDCP projects under 75 national, regional and global programmes, to be grouped under the four thematic areas mentioned in paragraph 13 above, will facilitate more meaningful evaluation of operational units. For this purpose, panels of five to seven independent experts will be established in each of those four areas, with the responsibility of evaluating each programme at regular intervals, at least once every two years. The Committee was informed that measures to implement these new evaluation procedures were being finalized. The Committee trusts that steps will be taken to avoid establishing an overly complex bureaucracy for this purpose.

17. The Committee further notes that UNDCP will standardize its reporting capacity through the development of country/regional profiles as well as programme profiles, which will make data and analysis publicly accessible through the use of technology, such as its Web site.

18. In paragraph 143 of the programme document it is indicated that "the current financial monitoring system within UNDCP is insufficient for the needs of a fast-moving organization. Financial information is fragmented and its management scattered". The Committee welcomes the steps taken towards the development of a comprehensive financial management system, which will be integrated into its reporting system. The Committee is of the opinion that this system should have been presented in the context of the support budget, including an estimation of cost and timetable for implementation.

19. The Advisory Committee recalls that the Board of Auditors, in paragraph 40 of its report on the financial report and audited financial statements for the biennium ending 31 December 1997 (A/53/5/Add.9), recommended that UNDCP strengthen project documents by systematically incorporating baselines, targets and monitoring and evaluation frameworks, and that it carry out a thorough appraisal of the problems to be addressed along with a cost-benefit analysis of the project proposals before their approval. The Committee believes that more should be

done to develop objectives and performance indicators at the project level. The Committee was informed, upon inquiry, that the recent project evaluation provided such an analysis and that the Policy Development and Analysis Branch was providing more support at the programme level.

Initial biennial support budget for 2000-2001

20. The proposed initial support budget for the biennium 2000-2001, as indicated in part four of the document (E/CN.7/1999/17), amounts to $36,181,200, reflecting an increase of $1,337,700 or 3.8 per cent over the proposed final biennium support budget for 1998-1999 of $34,843,500. As further indicated in paragraph 44 and table 1, the Executive Director's proposal reflects a volume decrease of $1,544,500 (4.4 per cent), as compared to the previous biennium and a cost increase of $2,882,200 (8.2 per cent).

21. The Committee notes, nevertheless, that although the programme budget for 2000-2001 reflects an increase of 37 per cent when compared to the previous biennium, as mentioned in paragraph 11 above, it is not triggering an equivalent increase in the proposed support budget. As stated above, the support budget increases by 3.8 per cent when compared to the 1998-1999 biennium. Furthermore, as indicated in paragraph 4 of E/CN.7/1999/18, "the proportion of the support budget as compared to the programme budget will consequently decline from 27.5 per cent for the biennium 1998-1999 to only 22.4 per cent for the biennium 2000-2001 in terms of expected expenditures".

22. The costing increases of $2,882,200 mentioned in paragraph 20 above, is calculated as follows. Under programme support, increases in salary costs at the country level of $1,181,000 and of $446,300 at headquarters, and upward inflation adjustments of $854,200 at the country level, and of $11,600 at headquarters. Under headquarters/management and administration, there are increases of $778,700 for salary costs, and upward inflation adjustments of $37,400. The increases are partially offset by decreases due to anticipated exchange rate fluctuations under programme support of $298,200 at the country level and $31,700 at headquarters, and by a decrease of $97,100 under headquarters/administration and management.

23. A total of 215 posts are proposed for the biennium 2000-2001, reflecting a reduction of 5, compared to 220 posts approved for 1998-1999, as shown in table 2. Programme support posts at the country level amount to 137, and at headquarters total 37 posts. For 1998-1999 they amounted to 138 and 36 respectively. Management and administration posts amount to 41, whereas for 1998-1999 they totalled 46. The Advisory Committee, in its report on the initial support budget for 1998-1999, had commented on the need to further streamline administration and management support at the headquarters level. The Committee recommends that a summary of changes in relation to posts (new posts, posts abolished, reclassifications and transfers) be provided in future, inclusive of regional units.

24. Paragraph 52 of the support budget document indicates that the cost of reimbursement to the United Nations Development Programme for administrative services provided to UNDCP field offices, such as recruitment and administration of local staff, procurement and local services, previously charged to management and administration under Programme Support Service, will henceforth be apportioned in the budget of each office, starting with the 2000-2001 budget.

25. The Advisory Committee recalls that, in the context of its report E/CN.7/1997/16, it addressed the issue of recovery of programme support costs (see paragraphs 20-22 of the report), in particular, with regard to nationally executed projects. The Committee notes that current programme support charges are at the level of 5 per cent for nationally executed programmes and 13 per cent for all other programmes (shared between UNDCP and any implementing partner where such is the case). The Committee was also informed that a level of 8 per cent was under current negotiation with the European Commission. The Committee reiterates its recommendation regarding support charges for nationally executed programmes, made in paragraph 22 of the report mentioned above, as to the need for their close monitoring and periodic review, so that UNDCP does not find itself in an inequitable position vis-à-vis funding of overhead for programme support. Moreover, the Committee believes that the level of support charges should also be reviewed in view of the small share of general-purpose funds for UNDCP operations and the need to maintain stable management of the programme. Recommendations should be provided to the Commission on Narcotic Drugs for consideration.

26. Table 3 of the support budget document indicates a significant reduction in the appropriated amount for consultants from $312,700, for 1998-1999, to $97,600, under the proposed final estimates for the same biennium and $95,000 for 2000-2001. The Committee was informed,

upon inquiry, that the Executive Director has been enforcing the policy of using consultants only when in-house expertise is not available. Previous extended use related to the assessment of technical cooperation needs and drafting project proposals. Under current policy, UNDCP personnel is expected to undertake these responsibilities, not only resulting in a decrease in expenditures related to consultants, such as travel and fees, but increasing the competence of staff. The Committee was also informed of measures undertaken by the Executive Director to improve gender balance, geographical distribution and reduce the average age of staff. The Advisory Committee commends the Executive Director for these actions.

27. With regard to the related resources for consultants under the regular budget, which increases from $585,800 in 1998-1999 to $1,109,100 for 2000-2001, the Advisory Committee sought additional clarification and was informed that the issues tackled are not technical-cooperation oriented, but related to technical and policy guidelines in specialized drug control fields, and in fields related to computer technology, beyond the expertise of UNDCP staff. The Committee was further assured that should it appear that UNDCP could handle this work, a redeployment of resources would be requested in due course.

Recommendation

28. The Advisory Committee recommends the adoption of the draft resolution, as contained in part one, section II, of document E/CN.7/1999/17.

Implications of instituting a results-based budget for the Fund of the United Nations International Drug Control Programme

29. The Advisory Committee took note of the analysis contained in document E/CN.7/1999/19, presented as a follow-up to the request made by the Economic and Social Council in its resolution 1999/30, section III, paragraph 6. In this regard, the Committee points out that it will be considering the issue of results-based budgeting during the current fifty-fourth session of the General Assembly, and looking at the mock-up budget prepared for the section related to UNDCP, as part of the submission by the Secretary-General on the subject. Its comments and recommendations will be presented in a report to the General Assembly.